

# Statement of Estimated State Revenue Impact

---

**Date:** April 17, 2013

**Bill Number:** H.B. 3557

**Authors:** Cobb-Hunter, White, Bannister, Rutherford, Harrell, *et. al.*

**Committee Requesting Impact:** House Ways & Means Committee

---

## Bill Summary

A bill to amend Section 12-6-3375, as amended, of the Code of Laws of South Carolina, 1976, relating to the tax credit for port cargo volume increase, so as to expand the types of businesses that qualify for the credit, to give the Coordinating Council for Economic Development discretion in awarding credits, to further define terms, to provide that taxpayers engaged in the movement of goods imported or exported through South Carolina's port facilities may be eligible for the credit if the cargo supports a presence in the state and meets other job and capital investment requirements, and to provide that a taxpayer that fails to meet the requirements of the credit must repay a pro rata portion of the credit.

## REVENUE IMPACT <sup>1/</sup>

This bill is not expected to affect General Fund income taxes or individual income withholding taxes in FY2013-14 or FY2014-15.

## Explanation

Currently, a taxpayer is allowed a tax credit if the taxpayer is engaged in manufacturing, warehousing, or distribution that uses South Carolina port facilities and increase its port cargo volume at these facilities by at least five (5) percent in a calendar year over its base year port cargo volume. The amount of the credit is determined by the Coordinating Council for Economic Development of the Department of Commerce upon application by the taxpayer. The maximum amount of tax credits allowed to all qualifying taxpayers may not exceed \$8,000,000 for each calendar year. Any unused credits may be carried forward for five (5) years.

This bill would amend Section 12-6-3375 to amend the port usage tax credit by making several changes. This bill would expand the types of businesses that would be eligible to claim a tax credit to include freight forwarding, freight handling, goods processing, cross docking, transloading, and wholesaling of goods. The expansion of the types of jobs would broaden the base of the total number of jobs eligible to apply for tax credits. Once the taxpayer files an application with the Coordinating Council for Economic Development, the CCED would now be required to consider factors related to the economic benefit of the State or other factors in making the sole discretion in awarding credits based upon the taxpayer's application.

Taxpayers are eligible for tax credits by increasing its port cargo volume at these facilities by a minimum of five percent in a single calendar year over its base year port cargo volume. The increase may be stated as a percentage increase, a total increase in net tons of

## Statement of Estimated State Revenue Impact

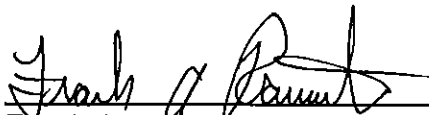
---

noncontainerized cargo, a measurement of cargo, and a number of twenty-foot equivalent units, or TEU's of cargo. This bill removes the fixed base year period and changes the base year to the initial January 1<sup>st</sup> through December 31<sup>st</sup> period the taxpayer meets the 75 net tons of noncontainerized cargo, or 385 cubic meters of cargo, or ten loaded TEU's. The base year port cargo volume must be recalculated each calendar year after the initial base year.

This bill provides for the awarding of up to \$1,000,000 of the \$8,000,000 of total credits available against employee withholdings to a new warehouse or distribution facility which invests at least \$40,000,000 at a single site and creates 100 new full-time jobs if the base year cargo is not less than 5,000 TEU's or its noncontainerized equivalent. The taxpayer must make satisfactory progress in meeting the job and capital investment criteria within three years of the initial approval of the tax credits. This bill also adds a provision to allow a taxpayer that meets the initial port volume requirement but does not have a distribution center in the State to be eligible for the tax credit if the cargo supports a presence in the State. The taxpayer must employ at least 250 full-time equivalent South Carolinians statewide, and must complete the construction of a distributional facility in the State within five years of the initial approval of the tax credits.

This bill adds a "claw back" provision such that if a taxpayer fails to meet the new full-time job and capital investment requirements of the distribution centers above, the taxpayer must repay the department a pro rata portion of the credits claimed.

According to the Department of Revenue, 78 taxpayers have claimed a total of \$6,670,868 of nonrefundable credits since passage of the port volume increase tax credit in 2005. Based upon the effective date and research of current activity, this bill is not expected to affect General Fund revenues in FY2013-14 and FY2014-15. While the bill does expand the list of eligible businesses and we expect new businesses to qualify, they would be competing for all other entities within the \$8,000,000 cap limitation. This act takes effect upon approval by the Governor and applies to tax years beginning after December 31, 2013.



Frank A. Rainwater  
Chief Economist

**Analyst:** Martin

<sup>11</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.